



## Rules Released Regarding Securities Issued in Foreign Currencies in Venezuela

By Tinoco Travieso Planchart & Nuñez

The Extraordinary *Official Gazette* of the Bolivarian Republic of Venezuela No. 41,877 Ruling No. 030 on May 12, 2020, issued the rules regarding the Public Offering, Placement and Negotiation of Securities issued by the private sector in foreign currency.

This new regulation aims to boost the Venezuelan stock market, expand financing sources for local companies, allow foreign companies to participate in the Venezuelan stock market and offer more attractive investment or savings instruments to individuals.

The ruling allows the issuance of liabilities, commercial papers, stock certificates and promissory notes traded and listed in regulated stock exchange markets and that are subject to public offering as well as any other value, financial claims, derivative instruments or agreements previously authorized by the National Securities Superintendence (SUNAVAL), denominated in foreign currency, by national or foreign private companies, for their sale in the Venezuelan market. For this purpose, companies must obtain authorization from the SUNAVAL and register the respective securities in the National Securities Registry and comply with the requirements indicated in the ruling.

### Securities Valuation

The market value of the negotiated securities and the exchange rate for the sale and the purchase of securities carried out by the private sector in foreign currency should be applied, and shall correspond to its market reference value in the Bolivarian Republic of Venezuela, or that freely established by the parties when the negotiated security has no market reference value.

### Requirements for Issuers Domiciled in the Country

Issuers of securities domiciled in the country that intend to make public offerings of securities in foreign currency must submit the following requirements to SUNAVAL:

1. The guarantees must be issued in favor of investors to the satisfaction of SUNAVAL, which may be granted by companies, banks or institutions of the insurance activity or by any other authorized institution. The guarantees must cover the total amount of the issuance, interests and any other expenses incurred, and will be denominated in the same currency in which the securities were issued or in national currency, for the equivalent value and will be adjusted according to the fluctuation of the reference exchange rate.
2. Present a business plan that includes constant and sustained production levels, aimed at exportation.
3. Present two opinions issued by credit risk agencies.



## **SUNAVAL Authorization**

Securities brokerage firms, stockbrokers and stock exchanges must be previously authorized by SUNAVAL to carry out activities of intermediation in securities issued by the private sector in foreign currency.

## **Trading Currency**

Securities issued by the private sector in foreign currency may be traded in domestic or foreign currency.

## **Trading by Brokerage Houses and Stockbrokers**

Trading operations of securities issued by the private sector in foreign currency, carried out by brokerage firms and brokerage houses, shall be carried out through stock exchange markets authorized by this Superintendence.

## **Commissions**

Brokerage firms and brokerage houses may charge their clients a fee or surcharge according to the percentage established by SUNAVAL, calculated on the trade operation amount, in the same currency established for the trading of securities carried out by the private sector in foreign currency. In the event that the payment of a commission, fee or surcharge in local currency is agreed, although the trading was carried out in foreign currency, the reference exchange rate published by the Central Bank of Venezuela (BCV) on its website on the payment date of the commission, fee or surcharge must be applied.

## **Safekeeping of Securities**

The safekeeping of securities issued by the private sector in foreign currency must be carried out through authorized depositories, which have a technological solution or automated system with a structure of subaccounts, in the depositors' account, in the name of the investors.

## **Balance Settlements**

Securities traded in domestic currency shall be settled at the reference exchange rate established in Article 9 of Exchange Agreement No. 1, dated Aug. 21, 2018. Securities traded in foreign currency may be settled in bolívares soberanos or foreign currency (these transactions shall be paid to foreign currency bank accounts in the Venezuelan financial system).

## **Securities Issued by Foreign Legal Entities**

Legal entities domiciled abroad may list their securities in Venezuela, subject to prior authorization by SUNAVAL. In this regard, legal entities must meet the following requirements and conditions:

1. Authorization granted by the securities market regulator of the country of origin of the securities.
2. Listing on foreign regulated securities markets, and subject to a public offering.



3. At least two opinions from credit rating agencies, which in no case may be lower than the credit ratings required by national law for local issuances.
4. Duly certified and legalized copy in Spanish of the final original prospectus of the issuance, available to SUNAVAL and the investors. If it is drafted in another language, all required documentation must be submitted and translated into Spanish by a certified public translator in the Bolivarian Republic of Venezuela.

The issuance of securities must be previously authorized by the regulatory agency of the securities market of the country of origin and be listed on foreign securities markets, among other requirements established by these standards.

The settlement of securities in foreign currency, issued by legal entities domiciled abroad, shall be paid to foreign currency accounts in the national financial system.

## **Deadline for Compliance**

The SUNAVAL granted a period of 30 continuous days, counted from the publication date of the cited regulations in the *Official Gazette* for brokerage firms, brokerage houses and stock exchange markets as well as other authorized participants to comply with the requirements described therein.

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